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30 April 1979

TRANSLATIONS ON JAPAN
(FOUO 14/79)

ASIA

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POLITICAL AND SOCIOLOGICAL

'MAINICHI' COMMENTS ON RESULT OF JAPAN LOCAL ELECTIONS

Tokyo MAINICHI DAILY NEWS in English 10 Apr 79 p 2 OW

[Editorial: "Conservatives Win Game"]

[Text] Candidates running on conservative or middle-of-the-road tickets swept to victories throughout the nation in the first round of the ninth unified local elections held Sunday. It is believed almost certain now that the local political maps will be redrawn in favor of conservatives, or the Liberal-Democratic Party for that matter, while the progressives are destined to face a long-drawn out fight over the next 4 years to regain the lost ground.

The defeat of progressive candidates in Tokyo and Osaka was most indicative of which way the political winds will blow in the future. The victory of Shunichi Suzuki in the race for Tokyo's governorship, running with the combined support of the Liberal Democratic, Komei and Democratic Socialist parties, puts an end to the 12-year-long metropolitan administration under progressive leadership.

The Liberal-Democratic Party is expected to take a strong posture in the future, while groping to find common meeting ground with the centrist camps. The Socialist Party, on the other hand, appeared greatly shocked at the election turnout across the country. Observers believe the nation's No 1 opposition party is in for more trouble, with intra-party factions now rolling up their sleeves to hold the present leadership responsible for the poor election strategy.

The conservative and centrist confederation that won sweeping victories in the nation's two largest cities will take the lead in the local political picture of the 1980's. As is often said, the era of "local politics" is to begin with the advent of the 1980's; and candidates, conservative and progressive alike, have campaigned for the cause of decentralization and autonomy. We have repeatedly emphasized that the advent of an era of "local politics" should not end as a mere slogan of political parties, designed to curry favor with voters.

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The positive participation in local politics by residents is an important factor in realizing the ideal of autonomy. In this regard, the poor turnout in Sunday's election was most disappointing to us. The turnout for gubernatorial elections was estimated at about 60 percent, or below the 68.7 percent in the previous elections in 1975. The voting rate was a record low in postwar election history.

The inclement weather that hit the western half of the nation with downpours in some regions, and the absence of real competition, can be taken to task for the record low. The turnout alone may not be the yardstick of the voters' political consciousness, but we cannot but take a serious view of the figures when the nation is saddled with many knotty political problems.

From the 1960's to the 1970's, progressive governors and mayors emerged one after another, heralding rise of the progressive camps in national politics. The conservative camp, led by the Liberal-Democratic Party, remained idle despite repeated warnings sounded in various quarters. The subsequent local elections only helped the progressives and centrists increase their strength, culminating in virtually equal strength between the two camps in the national diet. The series of scandals, including the Lockheed payoff scandal, and monetary politics all have soiled the image of the conservative camp. A sense of crisis gripped the rank and file of the LDP.

The progressives, as represented by the Socialist Party, in the meantime failed to capitalize on the favorable turn of events. The socialists have engaged in petty intraparty struggles, at one time over the covered [words as published] post of party leadership and mostly over their ideological differences, while domestic politics, to say nothing of the world situation, have been undergoing a change.

The defeat of progressive candidates in the gubernatorial elections spells out the possible collapse of the much ballyhooed "confrontation between the conservatives and progressives based on equal strength" in national politics. The 1980's loomed large as a period of "reconstruction of the progressive camps." Socialist leaders are, in this regard, urged to reflect on the current failure of their political strategy.

The LDP leaders, too, should reappraise the outcome of the election instead of rejoicing over a victory that could be only a "4-year" affair if they fail to listen to the voice of the people.

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POLITICAL AND SOCIOLOGICAL

'AKAHATA' EDITORIALIZES ON RESULTS OF LOCAL ELECTIONS

Tokyo JPS in English 0911 GMT 10 Apr 79 OW

[Text] Tokyo, 10 Apr (JPS)--AKAHATA on 10 April carried an editorial entitled "Results of the First Half of the Simultaneous Local Elections and the Motive Power for Progress." The gist of the editorial follows:

1. A new political situation created in the election battle for heads of local governments is that alliances of the Liberal-Democratic Party and anti-communist "centrist" parties have been formed in many localities. These alliances were successful in overthrowing progressive local governments or maintaining conservative prefectural governments. But, this does by no means prove "recovery of the LDP." On the contrary, this shows that the LDP is maneuvering to put a brake on its historical decline and to prop up its political rule, with the help of the anticommunist "centrist" forces.

2. It is clear that the LDP-"centrist" course cannot win support from the people in the long run. These anticommunist "centrist" parties will be subject of severe judgment of history, sooner or later. The fact that the Komei Party has decreased its seats, and both the DSP and NLC are at a standstill suggests this as early as this time.

3. As for such an inclination of arguing an "ebb of the progressive forces," analyses should be made from two angles. One is to recognize weakpoints inside the progressive movement. The Socialist Party, which stood for the progressive union in Tokyo, allied with the reactionary alliance centering on the LDP in Osaka. This is a most symbolic fact. The JSP was forced to suffer a setback, with many seats lost, in the prefectural assembly elections. If the JSP continues to take such a contradictory attitude toward the progressive united front, it will not only amount to suicide for the JSP, but also create a very serious situation in the Japanese progressive movement as a whole. The JCP earnestly hopes that the JSP will frankly review that attitude. In the light of the result of the elections, and make a stride forward toward new joint struggles of the progressive forces. As to the Tokyo gubernatorial elections, it must be pointed out that

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Governor Ryokichi Minobe reaffirmed his betrayal of the progressives at the critical moment of the election, giving advantages to the LDP-Komei-DSP reactionary alliance, by declaring that he "strictly keeps neutrality."

4. The other angle of analysis of the argument of "an ebb of the progressives" is to criticize the error in this argument which puts the communist party in one same basket of "ebbing progressives." Because one of the results, and one hopeful result, of these elections is the conspicuous big advance made by the Japanese Communist Party--the motive force for overcoming weakpoints in the progressive forces camp and reconstructing a progressive united front. The hopeful answer was given by the Osaka gubernatorial election contested between the six-party alliance and one political party (JCP). Governor Ryoichi Kuroda, supported by the Japanese Communist Party, made an almost even confrontation, by increasing his votes won in the previous election 4 years ago. The hopeful answer was given by the leap forward made by the communist party, which overcame the two straight defeats in the national elections and reached the highest mark in the prefectural assembly elections in history since the inauguration of the party. There is no room for doubt that this will encourage people of various walks of life, who eagerly hope for the formation of a progressive united front, including conscious people in the Japan Socialist Party, and that this will be the first step for a new advance of the progressive forces toward the 1980's.

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'AKAHATA' DECRIES DENG YINGCHAO REMARKS ON TOKYO ELECTIONS

Tokyo JPS in English 0925 GMT 12 Apr 79 OW

[Text] Tokyo, 12 Apr (JPS)--The visiting Vice Chairwoman of the Standing Committee of the National People's Congress of China, Deng Yingchao (widow of the late premier Zhou Enlai) was reported by ASAHI SHINBUN on 10 April as saying in a conversation with Yoshikatsu Takeirri, chairman of the Komei Party, on 9 April on the results of the first half of the simultaneous local elections, that she was "very glad to see that the Komei Party is well backed by the citizens of Tokyo."

AKAHATA on 12 April took this up, saying that Deng Yingchao's remarks clearly point at the election of Shunichi Suzuki as governor of metropolitan Tokyo. AKAHATA added, "Suzuki actively took part in the Japanese war of aggression against China as a member of the Japanese army's special agency in Shanxi Province. And even after the war, he still takes an ultrareactionary position in such a case as drafting a bill to introduce the small constituency system, which the Liberal-Democratic Party schemes to lay as the base for advancing toward Japanese style fascism."

AKAHATA went on to say, "Where on earth does proletarian internationalism stand...to rejoice at the 'overturn of the progressive metropolitan administration by the reactionary forces?' Deng Yingchao's remark amounts to really an antiprogressive international act of betrayal."

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POLITICAL AND SOCIOLOGICAL

'BUREAUCRATIZATION' OF GOVERNORSHIPS AHEAD

Tokyo MAINICHI DAILY NEWS in English 7 Apr 79 p 1

[Article by Mitsuro Sukamoto, Mainichi Shimbun: "Bureaucrats Drawn to Governorships"]

[Text] One of the most notable features of the current gubernatorial elections in 15 prefectures is the predominance of former officials of the Home Affairs Ministry and its prewar predecessor—the Interior Ministry—among the leading candidates. They number eight: including four incumbents, and two challengers for governorships in Tokyo and Osaka.

Should all these ex-bureaucrats win in Sunday's balloting, the total of prefectural governors with similar backgrounds would rise to 20, or more than 40 percent of the national total of 47.

Most of them have run in their native prefectures to devote their later lives to these prefectures. Nevertheless their ascendancy creates a situation quite resembling that before and during the last war, when bureaucrats of the Interior Ministry monopolized governorships as government appointees.

With the introduction of a self-government system for local

governments after the end of the last war, governors came to be elected by popular vote.

There are three major reasons for the steady increase in governors hailing from the Home Affairs Ministry.

One is the continuous erosion in the influences of the two major political camps: the ruling Liberal-Democratic and the opposition Socialist Parties. As a result, it has become quite difficult for either of them to win gubernatorial elections without the help of middle-of-the-road forces. Under this situation, nonpartisan candidates pleasing to several parties are often found among scholars or bureaucrats.

Secondly, of the various types of bureaucrats, those at the Home Affairs Ministry stand in the most advantageous position in that they have often fought with other ministries of the central government for the sake of local governments. Such backgrounds are of help in gaining support, not only from conservatives but also from progressive circles.

Finally, the financial difficulties faced by many local governments are familiar to

Home Affairs Ministry officials. When, under a rapid economic growth, tax revenues were increasingly rapidly, it was rather easy for anybody to manage local finances. Under financial crises caused by the slowdown in economic growth, however, an acute sense of balance and a high degree of expertise are required to manage local governments. Since bureaucrats at the ministry are experts on local administration, they are often considered as among the best candidates for prefectural governorships.

Besides the increasing number of governors formerly with the Home Affairs Ministry, there are also those with other bureaucratic backgrounds—those who were with other ministries of the central government or who were bureaucrats in prefectural governments.

This means a steady decrease in politicians-turned-governors.

Will the dawning of the much-spoken-about "Age of Regionalism" coincide with the "bureaucratization" of governorships?

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POLITICAL AND SOCIOLOGICAL

RECEIVING, GIVING MUCH MONEY BECOMES WAY TO POWER

Tokyo MAINICHI DAILY NEWS in English 10 Apr 79 p 4

[Zooming-In column by Hideo Matsuoka: "Money Made and Broke Tanaka, Kaifu"]

[Text] Kakuei Tanaka and Hachiro Kaifu have one thing in common. Both believe in the worldly philosophy that there is nobody who wouldn't be glad to be given money. Tanaka received much and gave much. Going into the construction business on his own at the age of 19, he learned the power of money the hard way, and came to appreciate that power. In time, he developed a belief that anybody must feel as delighted as he in getting money.

When the Katayama government presented the bill for national control of coal mines, Tanaka, then a freshman Representative, received a million yen or two from coal mine operators and opposed the bill. (He was found guilty in the first trial). His political philosophy of receiving and giving money kept growing until it led to his receipt of ¥500 million in the Lockheed payoff.

For politicians in high places, the objects of receiving and giving are not limited to money. They involve logrolling, privileges, posts and positions.

When Robert Kennedy visited

Japan as U.S. Attorney General for his brother Jack, a well-circulated episode in the political circles has it that Tanaka, then secretary general of the Liberal-Democratic Party, asked Bobby if America would return Okinawa to Japan if Japan rearmed. This is a thinking that is characteristic of Tanaka. In his worldly philosophy, this was a deal in which both sides would make a gain and thus had no reason to oppose it. He applied this philosophy to his dealing with opposition parties, and won fame for "being quick on the uptake."

Tanaka's celebrated "Okay I got you" translates directly into his another celebrated "You can leave it to me." Money has the nature of flowing to a guy who can handle it. And Tanaka was a guy who could handle it. Money that flowed into Tanaka was parceled out to his followers and hangers-on. The Tanaka Corps was formed. His philosophy that there is nobody who isn't delighted to get money is proved into the bargain in the real world of politics.

What is important is whether one can prostitute himself to practice this worldly philosophy. Anybody knows that people will be glad to receive money and things. But ordinary persons would have inhibitions in taking advantage of this human psychology. This inhibition or hesitation is related to the sense of shame. Tanaka had none of this sense. It was Tanaka's thinking that such a sense would only help thwart his political ambitions. He must be proud of his social success that he earned by making others glad through giving and by taking advantage of their indebtedness to him.

Late Starter

All this fits into Hachiro Kaifu. A late starter of middling size, his Nissho-Iwai was no match to established big-time trading houses in organization, credibility, funds and personal talent. In order to cut in on the business ground of the big timers, it was necessary for Nissho-Iwai to attack business at blind spots. This is not to say that established big

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businesses had not touched the blind spots. It is reasonable to believe that they are tied to politics somewhere in their business. But such connections are generally hush-hush affairs one way or the other because of involvement of the sense of shame. The sense of shame comes from the fact that such connections aim more or less to give money to politicians in power for business favors that they can arrange for the givers. Kaifu opted for this business method.

He apparently had no hesitation, no sense of shame or inhibition in making the choice. Instead, he was proud that he won business by knocking on the back door. It is easy to get ahead in either the political or business world if one can take the shame in stride. Tanaka willingly "suffered" (not by his standard) his way into the premiership, and Kaifu into Nissho-Iwai's vice presidency. Both organized their own mafias. Kaifu was no business genius. Men of his business caliber abound in trading companies. What made Kaifu forge ahead of other equally talented men was his callous mentality of not hesitating to choose any means to accomplish the end.

To think nothing of suffering shame is not merely a matter of morals. It involves criminal elements. What baffles us is the fact that Yoshio Tsuji, former chairman of Nissho-Iwai, after being informed of an off-the-book secret bank account of \$1,050,000 three years ago in February 1976 while he was president of the company, asked Kaifu to explain, but left the matter hanging to this day

without getting any convincing explanation from him. He did not even bother to question Kaifu's responsibility for the dubious financial arrangement.

It was around that time that the Lockheed affair began making headlines. President Tsuji should have realized the seriousness of the situation—discovery of a \$1,050,000 off-the-book bank account with \$470,000 having been drawn out for dubious payments. At a glance, the criminality of the whole setup was beyond doubt. Something had to be done, and quick, too. If the situation were brought to light, it would hit the company where it hurts. While this much was clear, the president did not do anything. I just cannot imagine a man with such a flagrant lack of leadership sitting at the helm of a big company.

It could be that Tsuji belittled the possibility of exposure of the financial finagling. The revelation came from the Securities Exchange Commission of America. The Douglas-Grumman probe by the SEC could have been a surprise to Nissho-Iwai. Still, Tsuji's dare to leave the precarious situation hanging without being properly tended to is incomprehensible. It could be either Tsuji thought the situation was beyond remedy and had better be kept quiet, or he had made up his mind to face the consequences once the irregularity was brought into light.

Quasi Companies

Mitsubishi Corp. and Nissho-Iwai adopt the *jigyō hanbu seido* (business headquarters system) in which each business

division operates as a quasi-independent company with its chief wielding a broad power. The power of a division chief is defined in company regulations. Big projects usually require presidential or board approval.

Keeping a secret bank account of as much as \$1,050,000 is not within Kaifu's authority. President Tsuji should have got his dander up at Kaifu and Hiromitsu Shimada, the managing director who recently committed suicide, for acting in violation of the company rules and punished the two accordingly. Tsuji, however, actually did nothing.

Maybe Tsuji thought he could not touch Kaifu who packed considerable power within the company. Tsuji's presidential authority had been completely eviscerated to the point where he could not punish his subordinate for mixing business with criminal offense. Nissho-Iwai no longer was a viably managed cooperation.

Kaifu, it was reported, told a close friend right before his arrest that he would be in a fix if he was charged with foreign exchange irregularities. But charges of violating the foreign exchange regulations are charges of convenience. The real purpose of his probe is to charge him with forgery of private documents and perjury, and also to look into how the off-the-book bank account was spent.

There have been news reports that the prosecutors have already traced the dubious payments from the start to where they finally rested. Whatever the truth, it is a battle

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between the prosecutors and Kaifu. The prosecutors stand to stake their investigative reputation on how much they can make Kaifu talk. If they cannot prod Kaifu into talking, they might as well quit being prosecutors altogether and turn to a more peaceful public notary's job.

Prime Focus

When Kaifu is finally made to sing, his tune will bring politicians into the picture. Unless we get the politicians into the scene, all the investigations at the Diet and reams of reports by the media end up as sheer waste. When we do get to political names, the prime focus will of course be on the receipt of money by the politicians. But there will inevitably be the problems of the statute of limitations and the scope of authority that the politicians involved had at the time of receiving the money.

As was the case with the Lockheed payoff, there is possibility of money recipients escaping prosecution under the

statute of limitations, for lack of evidence to establish a case of bribery, for minor nature of the offense, and other reasons. They will be the so-called "gray" officials.

In the judiciary process, anybody escaping prosecution for whatever reason is "white" (which in Japanese means "not guilty" as contrasted with "black" that means "guilty"). There is no "gray" area in between.

Politically speaking, however, politicians owe political as well as moral responsibilities, and those who cannot morally vindicate themselves, even if they can legally are at best "gray," and the nation is entitled to know who are "gray." It will be still some time away, but Prime Minister Ohira and Justice Minister Yoshimi Furui had better start preparing now to decide on what they will do with "gray" names. If they should choose to keep the names back, it will only help plummet the popularity of the Ohira Cabinet, which is already at a low level.

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POLITICAL AND SOCIOLOGICAL

EXCISE TAX STRATEGY KEY TO DIET DISSOLUTION

Tokyo MAINICHI DAILY NEWS In English 11 Apr 79 p 4

[Nagatacho Doings column by Takehiko Takahashi: "'Excise Tax' Holds Key to Dissolution of House of Representatives"]

[Text] One of the reasons why Prime Minister Masayoshi Ohira would like to dissolve the House of Representatives and call for a general election in autumn this year is the problem of how the proposed excise tax should be handled.

With the oil shock as the turning point, Japan's national finances have become strained and the issuance of a huge amount of red-ink bonds has become necessary. In the budget for the current fiscal year, there is a dependence of nearly 40 percent on red-ink bonds. If things continue as they are, the state finances will become bankrupt. Therefore, how to provide for sound finances is the biggest problem that the government faces today.

During the period of high growth, the income from taxes increased even if the taxation system and tax rates were left as they were. In comparison with that period, however, the rate of growth today is much lower. For that reason the income from taxes is not increasing while, on the other hand, state expenditures are mounting year by year.

That is why the institution of an "excise tax" was proposed. The Ministry of Finance believes that this will result in about 3 trillion yen in income. That figure—3 trillion yen—means a tax burden of about 30,000 yen per capita to be shouldered by the people.

In the case of the income tax, a larger amount is obtained from those with a higher income. The corporation tax also applies to corporations making a profit.

This is not so with the excise tax, which is a tax levied at the stage of commercial transaction irrespective of income or profit. Since the burden is shouldered by both those with a small income and those with a large income, the excise tax has been criticized as a "retrogressive taxation system."

Not only consumers but practically all of the opposition parties are opposed to proposed excise tax. There is even opposition with in the Liberal-Democratic Party. Opposing the excise tax also is the Japan Chamber of Commerce and Industry (president: Shigeo Nagano) which is generally regarded as an influence

supporting the LDP.

Remains Prudent

Although the Ministry of Finance would like to see the excise tax materialize as early as possible, in order to rehabilitate state finances, Prime Minister Ohira is remaining prudent.

At first, during the compilation of this year's budget, enforcement of the tax was sought from "January 1980" but the prime minister altered that to "from the 1980 fiscal year," targeting April 1 as the date of enforcement. This was based on his awareness of the trend of public opinion in regard to the excise tax.

If the new tax were to be enforced from Jan. 1, 1980, it would be necessary for legislation to be approved in the extraordinary Diet session to be held this autumn. If it is to be from April 1, then the approval could be put off to the ordinary Diet session to be convoked at the end of December. The intervening period of time could be used to good advantage.

Because of his position, Toshio Komoto, chairman of the

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LDP's Policy Affairs Research Council, is not opposing the excise tax itself but he believes that there are a number of conditions existing as the premise for its realization. These are the firm recovery of business, stability of commodity prices, and elimination of waste in state expenditures. These must be achieved first before deciding on the content of the excise tax legislation, Komoto declares.

Every one of the conditions pointed out by Chairman Komoto will be difficult to realize. The elimination of waste in state expenditures involves the Japanese National Railways and such systems as the national health insurance system and the huge amount of funds spent by the government for rice. It will not be easy to solve any of these problems.

2 Objectives

It is believed that Chairman Komoto had two objectives in saying what he did, namely, "delaying the introduction of the excise tax" and "forming the conditions that would make the excise tax unnecessary."

In other words, even if the House of Representatives were to be dissolved this autumn while leaving the problem of the excise tax vague, the House of Councillors election is coming up next year. If there should be

a head-on clash in the Diet between the government party and the opposition over the institution of the excise tax, and if this is followed by the House of Councillors election, the LDP, which is already in a painful position, will see the addition of further disadvantageous conditions.

Since Prime Minister Ohira has promised enforcement of the excise tax "from the 1980 fiscal year," this cannot be abandoned easily. Ohira has therefore started to think that dissolving the House of Representatives, before the handling of the excise tax problem is definitely decided, would be advantageous for the LDP.

Opposition to the excise tax is widespread. It is problematical whether Prime Minister Ohira, with full determination in the face of the confusion that is bound to be caused, will take up the excise tax "as the only way to rehabilitate state finances."

But if he shelves the excise tax "because of the strong opposition," compilation of the budget for the 1980 fiscal year will become extremely difficult and the Ministry of Finance is bound to object strongly.

Which path will Prime Minister Ohira choose? This will have a close bearing on whether the House of Representatives will be dissolved—and when.

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POLITICAL AND SOCIOLOGICAL

BRIEFS

JAPAN REGARDING NATO--Tokyo, 12 Apr (JPS)--On the report that the Tokyo summit to be held in June will take up aid to Turkey, AKAHATA carried a commentary on 12 April, saying that this "will drag Japan into the strategy of NATO." The gist of the commentary follows. The commentary says that "if the question of aid to Turkey is taken up in the Tokyo summit of the developed countries...that will be a serious matter in the sense that Japan will be bound to take part in the military alliance strategy of the North Atlantic Treaty Organization. It adds that the discussion in the Tokyo summit of the question of aid to Turkey "should be regarded as a move to strengthen the U.S. military support to that area occasioned by the signing of the Egypt-Israel treaty and the dispute in Yemen." The commentary also says, "It cannot be denied that the Japanese Government's aid to Turkey will be carried out in the dangerous framework of strengthening NATO, a military alliance for aggression." [Text] [Tokyo JPS in English 0921 GMT 12 Apr 79 OW]

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MILITARY

ECONOMIC EXPERT RAPS JDA FOR MANIPULATING ITS INFORMATION

Tokyo NIKKEI BUSINESS in Japanese 26 Feb 79 p 26

[Text] The Defense Agency has announced that the Soviet Union has established full-scale military bases on the islands of Etorofu and Kunashiri. Newspapers are condemning the Soviet Union's lack of propriety and reminding the Japanese people of the menace of Soviet military power. However, it would be better to think this news through. In the first place, the problem is the timing of the Defense Agency's announcement. The Defense Agency explains that it made its announcement before Vice Premier Deng Xiaoping's visit to Japan so that the Soviet Union would not assume, incorrectly, that Japan was put up to it by China. But this is totally unconvincing.

Among those associated with the Defense Agency, this story of the establishment of military bases is already old news. You may remember last June when news got out that Hiroomi Kurisu, former head of the Joint Chiefs of Staff, told of the movements of the Soviets and judged them to be "practice maneuvers," thus creating a stir in the Diet. When one inquires within the Defense Agency, in the Joint Chiefs of Staff, in other words the uniformed services, one finds that there had been word on this even from the American forces. The improper actions of the Soviets were known from the first. And while the civilian Defense Agency bureaucracy, which has no connection with actual fighting, did not know it, Kurisu swiftly let the news out. Thus, to save face, the civilian part watched for a chance to make the announcement themselves.

This does not guarantee that their face was securely saved, and even when newspapermen went out in planes and took clear photos of the bases, why the announcement was delayed is difficult to understand. The main purpose of the Defense Agency's special announcement regarding the establishment of Soviet military bases was presumably to protest firmly to the Soviet Union against setting up military bases in Etorofu and Kunashiri, which Japan claims as its own territory. However, from the Soviet point of view the announcement to the Japanese people of the existence of the bases made no difference since it was already a fait accompli.

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During the last war, when defeat was approaching, giant B29's were attacking at will. After they left we would send up wood and cloth biplanes, called "red dragonflies," to give the appearance of pursuit. Strong protest to the Soviet Union after military bases have been constructed is exactly the same as those red dragonflies. While the civilian bureaucrats of the Defense Agency and the pusillanimous Foreign Affairs bureaucracy were making a decision whether or not to protest to the "big bear of the north," the important fact is that they missed the moment to do it. The Defense Agency did not know what reaction there would be from the Soviet Union after the vice premier of China, who talked up the strengthening of Japan's armaments, visited Japan. Therefore, they finally took the step and made the announcement before he came.

If the Defense Agency denies this interpretation, they are after all in a period of formulating budgetary estimates. It can be taken as nothing but a way to relieve the pressure on the defense budget arising from the troublesome Grumman problem. To spread news about the military build-up of a potential enemy nation and to make an exaggerated fuss is a set ploy of the military-industrial complex. The mass media immediately implied that Hokkaido would be taken over by the Russians and they went as low as to scare the people of Hokkaido. The announcement gave rise to rumors that are now flying around, such as the fishermen of Nemuro are Soviet spies in disguise, that they are collaborating with the Soviets for an invasion, and that they are plotting an insurrection. However, the Soviets, who invaded Czechoslovakia with a force of 300,000 men, have at most 5000 men on Etorofu and Kunashiri. This would indicate that something like an occupation of Hokkaido is quite impossible. It is a strange combination of manipulation and withdrawal of information.

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ECONOMIC

ACCOUNTING PRACTICES FACILITATE ILLEGAL PAYMENTS

Tokyo MAINICHI DAILY NEWS in English 2 Mar 79 p 7

[From the Econoscope column by Econobserver: "No SEC Imaginable Here"]

[Text]

The workings of America's Securities and Exchange Commission are being ogled by Japanese legislators, especially those in the opposition. An interpellator at a recent Lower House budget committee meeting urged the government to beef up the investigative functions of the Securities Bureau of the Finance Ministry to enable it to prove into corporate finaglings SEC style.

The problem is not all that simple, however. A reinforced Securities Bureau authority will never form the office into a true equivalent of the SEC.

In America, corporations usually have persons who virtually own them. They hire persons they think are capable, and leave the job of running their companies to these hired managers. The owners fully recognize the managers' capabilities but do not necessarily respect their probity.

While Japanese society, business or otherwise, is built on mutual trust of its members, American society is built on mutual cooperation. Corporate owners of America

naturally want to make sure the hired managers are not lining their pockets with money that is due to owners.

The checking of intricate corporate finance is not a job that anybody can handle. So the owners hire certified public accountants.

Commissioned by owners who really want to know every nook in the accountability system of their companies, the CPAs mercilessly rip into the darkest corners, both on and off the book. To survive CPA inspections, managers do everything to rationalize and justify the accounts.

This is why American businessmen ask for receipts even for sublegal or outright illegal payments. They need to prove to the owners that the payments, no matter on or under the table, were duly made.

This is how the receipts for so many "peanuts" and "pieces" showed up from the accounting files of Lockheed Corp. Its managers needed them to prove their financial probity to the owners.

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The SEC, in its probe of questionable payments by corporations, can take advantage of the self-enforced internal accounting inspection reports. A close look at the reports is the major part of the SEC's muckraking work.

In Japan, by contrast, most of the big corporations are "ownerless," that is, without specific persons who substantially own them. The dispersion of stock ownership thin and wide solidifies the authority of the president who heads the management team, even if he doesn't own a majority interest.

It is the president who decides which CPA to hire. He thinks auditing by CPA is no more than a formally required by the Commercial Code, Securities Exchange Law and the fact of having the company's stocks listed on the exchange.

Ordinarily, the president bases the choice of CPA on such factors as hometown identity, and considers he is doing a favor to the CPA by hiring him.

The CPA, on his part, actually takes it as a favor. The extent

such a grateful, or more correctly, servile, CPA can go in checking the company accounts should not be very far or deep. He would be more anxious to paper over questionable points than reveal them.

Moreover, the management sees to it that employees of known loyalty to the company (which is identical with management, in Japan) fill the key posts through which sensitive papers and money pass, so that there will be no whistleblowing of very critical (which usually means "political") nature. The management uses these trustees in the delivery of "discretionary" payments to politicians, and never dream of getting a receipt.

Still, the grateful CPA arranges the whole report so that the bottom line will wash. This is how corporate accounts are audited for stockholders in Japan. A closer study of such reports by a reinforced army of the Securities Bureau inspectors will produce nothing that even remotely resembles the headline-making SEC pickings.

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ECONOMIC

DENMAN WARNS JAPAN OF EC COUNTERACTION

Tokyo MAINICHI DAILY NEWS in English 29 Mar 79 p B-5

[Text]

Roy Denman, European Communities Commission's director general for external affairs, warned Wednesday that the EC executive council may discuss in June specific actions against Japan unless Japan's trade surplus with the EC is substantially reduced in the months ahead.

He made the caution as he met with Shiro Miyamoto, director general of the International Trade Policy Bureau, the Ministry of International Trade and Industry, Wednesday morning.

At the one-hour meeting, Denman pointed to three major problems pending between Japan and the EC — trade imbalance, that Japanese market is still very much closed, and that Japanese exports are concentrated on some specific areas.

Denman told Miyamoto Japan is not living up to the spirit of the Ushiba-Haferkamp

joint statement issued about one year ago.

He said that there is a growing tide of protectionism in the community and that he hoped to see "significant changes" in the Japan-EC trade.

Unless Japan takes firm action to improve the trade relations, the Tokyo summit of industrial nations will be a "very quiet one," he was quoted as saying.

Also, Denman said, the EC executive council may discuss specific actions aimed at Japan at its meeting in June.

Japan's trade surplus with the EC rose 6.1 percent in terms of the yen and 29 percent in terms of the dollar during the first two months of this year.

Denman said that Japan's global trade surplus is declining but not with the EC.

In reply, Miyamoto said that Japan has made and is making utmost efforts for a better balance of trade with the EC.

For instance, Japan sent import promotion missions to Europe, introduced measures to hold down exports, and is making measures to expand domestic demand, while Toa Domestic Airways has purchased Airbus jetliners, Miyamoto pointed out.

In terms of the yen, the trade imbalance is getting smaller while in terms of the dollar, growth of imports is bigger than that of exports, he said.

Miyamoto also called for an immediate and complete lift of the import restrictions by European countries aimed specifically at Japanese products.

But Denman said it was extremely difficult to do so since Japanese concession in the Tokyo Round multilateral trade negotiations was modest and Europeans are still frustrated with the difficulty in making access to the Japanese market.

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ECONOMIC

RECESSION-PLAGUED INDUSTRIES' STATUS REVIEWED

Tokyo MAINICHI DAILY NEWS in English 27, 28 Feb, 1, 2 Mar 79

[27 Feb 79, p 5]

[Text]

It was around this time last year that a widening supply-demand gap became apparent in many basic industries in what has been called a "structural recession." With the gradual recovery of domestic economy, however, these recession-plagued industries have gone through a number of changes. Some industries have already recovered in strength aided by a solid rebound in demand while others are still caught in the tight grip of recession. The following series is a "chart" of "structural recession" industries.

Spinning Industry

Fukui Prefecture is the nation's largest textile producing region. At present some 2,900 smaller weaving plants are in full operation. An explosive boom has come. Factory owners are finding it difficult to meet the growing demand from trading firms and larger textile manufacturers. They are also suffering from manpower shortages.

Owners of looms are busily searching for part-time workers. Not only housewives but grocers and fish-shop-keepers are working part time. "It looks like this boom will continue for some time," said an owner of a textile factory in the prefecture.

Larger textile plants are also enjoying brisk demand. Toyobo Co.'s Miyagi prefectural plant is also busy looking for part-

time workers. Some 70 part-timers, mostly wives of local farmers, work from 6 a.m. for four hours daily. The company even provides bus service for their transportation.

Around this time last year, the textile industry was at the bottom of a recession. It resembled a patient waiting for death. Demand was distressingly low while stockpiles built up persistently high. As a result, the nation's major textile firms, such as Kanebo, Toyobo and Unitika, reported huge losses for fiscal 1977.

But a long spell of hot weather last summer brought about booming sales of natural textile products. Aided by the recession cartel, which continued until last June, market prices perked up. Shortly after the turn of the year, the market price recovered to the level of January 1974.

The sharp appreciation of the yen also cut back on the prices of raw materials imports. For the first six months of fiscal 1978, the eight largest textile firms, reported profits, with Kanebo as the sole exception.

"The spinning industry is back in a boom," said Keishiro Yamamoto, president of Nisshin Spinning Co. Osamu Uno, president of the Toyobo, declared. "We are planning to make financial outlays for new plants and equipment totaling some 10 billion yen in the next fiscal year."

Electric Furnace

In the meantime, the electric furnace industry, which makes iron rods, has made a conspicuous recovery. One year ago, this industry was operating at half capacity. Low operation rates, excess capacity, large stockpiles, low market prices,

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heavy borrowings, cumulative losses — this industry was one of the most serious all the "patients."

There are some 70 electric furnace manufacturers. All the makers were complaining that the more they produced, the more they would lose. The government's law to bail out recession-plagued industries was primarily for saving the electric furnace industry.

But around last summer, market prices turned upward. Demand made a solid turn-around. The market price, which averaged below 50,000 yen per ton at one point last fall

has been running 62,000 yen per ton since the turn of the year. In some areas of the country, acute shortages of iron rods have been reported.

What has brought about this miraculous recovery? The answer is the government's huge spending for public works projects. The production cut-back under cartel also helped the recovery of the market price. The two "patients," with little hope for recovery at one point, are now back at full strengths. "What in the world was the structural recession?" asked President Yamamoto of Nisshin Spinning.

[28 Feb 79, p 5]

[Text]

The economy of Imari City, Saga Prefecture, is dominated by two industries — ship-building and plywood — both of which are designated as "structural recession" industries by the government. At long last, however, the plywood industry, at least, is pulling out of the protracted slump.

Around last December, the plywood industry of this city made a solid rebound. Five plywood manufacturers of Imari Port, three of which had gone bankrupt by last year, are operating at full capacity.

The output per worker has almost recovered the pre-oil crisis peak of 1972-73. At one point, manufacturers could hardly rebuild their stockpiles due to brisk demand.

Plywood makers in other areas, Akita Prefecture for instance, are also boosting operation. "Perhaps we can report some profits for the latter half of this fiscal year (ending next month)," said a plywood maker in Akita Prefecture.

The plywood sector of Eldai, which went bankrupt February last year after reporting the largest liabilities in Japanese history, is now on an uphill trend. Mitsuru Ota, the trustee of the bankrupt firm, told a press conference: "We are finally pulling out of the long, long tunnel."

The major factor for the recovery of the plywood industry is, again, government spending for public works projects. Demand for plywood, which is used as the framing for molding cement, soared as construction works gathered momentum with the massive government spending.

As demand rose, the price also rose. Until around last summer, the price of plywood averaged 700 yen per sheet, but it rose to 1,000 yen early last December, and further to 1,350 yen in January. "We are in good shape. Most of the nation's 190 makers are reporting profits at least at this moment," said an insider.

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Has the plywood industry therefore completely restored its strengths? The answer is, perhaps, no. The stockpiles in the distribution channels have almost reached capacity. In addition, the high price of plywood would nudge up the price of raw materials, notably, lauan.

The full recovery of this industry hinges on two factors — smooth disbursement of public works spending and cutback on the industry's excess capacity. (The plywood industry has been told to scrap some 12 percent of its collective capacity).

In the meantime, the chemical fertilizer industry also appears to have gone over the hill. This industry exports some 60 percent of its products. Major importers are developing countries in Southeast Asia.

But since a few years ago, exports have been gradually declining as those countries started to construct chemical fertilizer plants of their own.

To add to this, the oil crisis of 1973 forced upward the price of naphtha, the key raw material, and this slashed the competitiveness of the Japanese fertilizer industry.

Then came China. At the moment, China is pushing forward with ambitious modernization projects not only in the industrial but also in the agricultural sector. This sharply increased the Chinese demand for chemical fertilizers. And, in fact, since the middle of last year, Chinese orders of fertilizer from Japan have sharply increased.

Export contracts with China for urea totaled 1,030,000 tons and ammonium sulphate 370,000 tons in fiscal 1978. It was the first time since the oil crisis that Japan's urea exports to China hit the 1 million ton mark. The 10 percent price hike also aided the recovery.

"It's like having rain after a long spell of dry weather," said an industry official. The Ehime plant of Sumitomo Chemical Co. in Niihama City — the cradle of the Japanese chemical fertilizer industry — is now operating at 90 percent of capacity. "Now, it looks like we can somehow keep our factory running," said a Sumitomo official of the plant.

[1 Mar 79, p 5]

[Text]

"The layoff was the only way to save the plant from a total shutdown. But they had no alternate jobs to support themselves and..." muttered Koichiro Yamaguchi, general manager of Showa Light Metal's Kitakata plant in Kitakata City, Fukushima Prefecture.

Yamaguchi is concerned about 50 workers who were laid off in January, with a promise of reinstatement 18 months later.

At an average age of 42, and unable to apply for company-sponsored transfer programs to affiliated companies, these 50 workers opted for the prolonged layoff on the condition that they be entitled to collect 65 percent of their monthly salary until reinstatement.

None have so far found any alternate jobs and none entertain much hope for finding jobs, although they were brave enough at first to jest that the layoff would be once-in-a-lifetime sabbatical.

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At the sacrifice of these 50, and an additional 150 who are on long-term transfer to affiliated companies, the aluminum electrolytic plant escaped total shutdown.

But judging from the industry situation, it is hardly surprising that the Kitakata plant folded overnight.

The plant remains open thanks also to campaigns waged by city authorities and the mayor. The plant is the sole sizable employer in the city. Yet, some 27,000 citizens are increasingly worried that doomsday will soon come to the plant.

Bare Survival

Kitakata thus exemplifies the crisis in the Japanese aluminum smelting industry. The industry is barely surviving, under the protection of a tariff quota system on aluminum ingot imports and other relief measures.

The recession was the direct result of worldwide structural changes in the aluminum smelting industry. It requires 14,000 kilowatt/hour of electricity to produce one ton of aluminum ingots, by electrolyzing bauxite. The ingots thus produced are, so to speak, masses of electric power.

When the 1973 oil crunch hit Japan, the crucial power costs tripled, from three yen to nine yen per kilowatt/hour. That triple increase pushed domestic aluminum ingot prices far above prices in the United States and Canada, where power costs remain one or two yen per kw/h, and in Europe where the costs stand around four or five yen.

Yen Appreciation

Then came the sharp yen appreciation, inducing a flood of aluminum ingot imports. The import rush plunged the market, and the domestic industry, into a bottomless pit.

One year ago, the per-ton price of aluminum ingots stood at less than 300,000 yen, more than 10 percent below the domestic break-even point. The six domestic smelters chalked up whopping aggregate deficit of 63 billion yen at the end of last March, inviting strong suggestions that the industry should be put to a merciful death.

The smelting industry is being kept alive primarily through two relief measures: a 35 percent output cutback recession cartel, in force since last September, and the tariff quota system.

The cartel curtails domestic supply and the tariff quotas arrest imports. The tariff quota system is also generating "subsidy funds."

These subsidies are being generated from the differences between the 5.5 percent primary tariff and the 9 percent secondary tariff on aluminum imports. The secondary tariff is being imposed on imports exceeding 420,000 tons in this fiscal year, ending Mar. 31.

With the subsidies, the industry is out to reform itself by scrapping 530,000-ton of capacity out of the total 1,600,000-ton. For instance, Sumitomo Aluminum Smelting has shut down its Nagoya plant and Nippon Light Metal is about to close its Niigata plant.

But the industry is still nowhere near the end of the

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recession tunnel. Ichiro Nakayama, president of the Japan Aluminum Federation, diagnoses that "the industry is being kept alive in an iron lung."

Sugar Refining

Facing an almost identical fate is the domestic sugar refining industry. It is being kept from falling into coma by governmental relief measures.

The industry first incurred consumer displeasure, then was knocked to its knees by the onset of the prolonged general recession. It narrowly escaped a coup de grace of its own making last year.

When sugar prices skyrocketed on the international market some years ago, many Japanese refiners contracted with Australian sugar cane growers for long-term crude sugar supplies at a price much lowered than the then-revailing, high-flying prices.

But soon after the contract conclusion, the international market price fell below that contract price, and tons of Australian crude sugar began to arrive at the Japanese ports.

The government reacted to the crisis by legislating a special act, and enforcing it in February last year, which enabled sugar refiners to add

refining and sales costs in deciding ex-factory prices.

That price manipulation made it possible for the refiners to keep their sugar prices from falling below the break-even point. The 11 refiners listed on stock exchanges improved their earnings.

They were able to reduce their cumulative deficits to 60 billion yen at the end of last September, from 34 billion yen the year before.

Depending On Gov't

But none of these companies has recovered enough to stand on its feet without clutching the guiding government hand. None will be able to do so in the foreseeable future.

For instance, Tokai Seito of Mie Prefecture, which went bankrupt in February last year, has been unable to submit its corporate rehabilitation plan to the local district court for approval.

As it had gone broke before the special act took effect, it could not obtain crude sugar under the act's provision.

Having used up unemployment claims last fall, the 196 employees are supporting themselves by "moonlighting." The secretary general of the Tokai Seito's labor union said "There is no way to foresee any prospect for corporate rehabilitation."

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[2 Mar 79, p 5]

[Text]

Although it is already more than six months since Usukine Steelworks went bankrupt with the largest debts in Kyushu last July, the reconstruction of the shipbuilding company remains far distant. The steelworks was a medium-sized shipyard based in Saeki City in Oita Prefecture and was one of the four pillars supporting the city's economy.

Before Usukine, two other pillars of the city economy—a plant of Kojin and Futahira Plywood hit business slumps. Kojin went bankrupt in the summer of 1975 and Futahira incurred a deficit in that year. Usukine compounded the situation, wreaking the greatest havoc on the city of 33,000 population.

At its prime, Usukine alone employed upward of 5,000 workers, including sub-contracting workers. The company produced a quarter of the city's total manufacturing shipments.

The recession that hit the nation's shipbuilding industry slashed the Usukine work force to a mere 500 or so. And no one knows how long Usukine will be able to maintain the current work force. Rumors are rampant that the company would ultimately be forced to halve its current work force.

A labor force cutback is sweeping the nation's shipbuilding industry. According to the Japan Shipbuilding Industry Association, major and medium-sized shipyards have axed nearly 30 percent of their work force in the four years to January 1978 to 82,000 from the peak of 114,000 in October 1974. In the process, more than 60 percent of vulnerable sub-contracting workers were estimated to have been sacked.

Major shipyards are expected to put an end to their work force slashing this month. But this hardly means that the labor cutdown would come to a full stop.

The massive discharges merely enabled the shipbuilding industry to retrench themselves for a severe winter. In other words, the industry is a patient who just undergone a major operation and must remain under intensive care.

The industry is now scrapping 35 percent of the total capacity and will embark upon strict operation controls in fiscal 1979 beginning April 1.

The controls hold down the maximum operation rate to 34 percent of peak time for the major shipbuilding companies. Yet such major yards as IHI (Ishikawajima-Harima Heavy Industries) and KHI (Kawasaki Heavy Industries) say respectively that their operations would be 32 percent and 30-32 percent at the very best.

New ship demand plummeted to a monthly average of 160,000 gross tons during the April-June period of 1978. It recovered to a monthly average of 370,000 gross tons during the September-November period, raising hope for a demand upturn.

But the surge was nothing more than the usual seasonal upturn. Demand is now beginning to become firm for only small vessels of less than 80,00 tons and mostly small tankers.

Industry people unanimously predict that the industry will not be able to leave the intensive care unit until fiscal 1980 and that another year will be needed before it can sit up in bed.

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It will also be very long before the ship prices recover. So far, yards have been taking new ship orders at the marginal level or below. Kageki Minami, chairman of the medium-sized shipyard committee of the Japan Shipbuilding Industry Association and president of Osaka Shipyard Co., predicted ominously, "How long will the weakened yards be able to continue to bleed? They will soon deplete their internal reserves and financing will be the pressing problem for medium-sized yards in the coming summer and autumn."

Already most medium-sized yards have been placed under strict control of their main-line banks with little assurance of continued financing.

Hakodate Dock Co. is one of such shipyards. It narrowly escaped pronouncement of death when management and labor came to a compromise at the 11th hour.

The company's 300,000-ton dock with a towering

superlarge red crane has been the pride of Hakodate City, the gateway to Hokkaido, and its citizens as well. But the towering symbol's life is numbered. In fact, it must go in June.

Hakodate Dock has decided to sell off 220,000 square meters of the yard compound, including the dock, to raise funds for corporate reconstruction. Now it plans to survive by entering the new business line of building landed machinery and equipment, instead of vessels.

At one time the company employed some 3,200 workers. But successive rationalizations are about to trim the work force to 1,700 workers.

An operator of a small business in Hakodate emphasized, "The Hakodate Dock used to be the pride of the port city Hakodate. But we can't afford to indulge in such sentimentalism now. We don't care if anything happens to the dock. Just don't give us any more jobless workers."

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ECONOMIC

JAPAN-U.S.-FRG COOPERATION IN DEALING WITH PRC DESIRED

Tokyo SANKEI SHINBUN in Japanese 5 Apr 79 Morning Edition p 1 OW

[Article by Isao Maeda]

[Text] According to a source associated with Japanese-Chinese economic affairs, China has asked for Japan's cooperation in drafting and working out plans in connection with a readjustment in its 10-year economic development plan, and Japan has accepted the request. China is expected to begin readjusting the 10-year plan shortly. Officials concerned with Japanese-Chinese economic affairs stress the need to establish a system of cooperation with China among Japan, the United States and West Germany because China is asking for the cooperation of not only Japan but also the United States and West Germany in funds, equipment and technology. For this reason, Yoshihiro Inayama, president of the Japan-China Economic Association, will meet Prime Minister Ohira soon to ask for the government's cooperation. This trilateral cooperation system is likely to take shape at the forthcoming Tokyo summit (of advanced nations) scheduled for June.

According to the source, China is expected to readjust its 10-year economic development plan, which covers the 1976-1985 period, at the National People's Congress (NPC) which is scheduled to be called into session soon. When he met with President Inayama during his recent visit to Japan, Vice Minister of Foreign Trade Liu Xiwen asked for "Japan's cooperation" in drafting and working out a new economic plan. In reply, Inayama indicated Japan's readiness to render full cooperation in readjusting the economic plan into a realistic one. Inayama said: "It is impossible to fulfill by 1985 the enormous plan which envisages some 120 projects including the doubling of steel output and which requires a capital investment of some \$300 billion." Thus, Japan's private sector is to participate in the working out of Chinese economic policies.

However, materially and financially Japan by itself finds it difficult to meet the expectations of China, a country with 900 million people. In addition, China wants to introduce equipment, technologies and integrated plants also from the United States and West Germany. Hence, Japanese and Chinese officials concerned agree that it will be better for Japan, the United States and West Germany "to cooperate" than "to compete" with one

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another in dealing with China. This led to Inayama's decision to ask for the government's help in establishing the proposed trilateral cooperation system.

It is still unclear what this trilateral cooperation plan entails. However, it is likely to call for setting up a large framework of cooperation in their respective fields of specialty--the United States in developing petroleum, mineral and other resources in addition to extending financial aid; West Germany in supplying various plants; and Japan in providing iron and steel, electronics, automobile and other processing techniques. It may also call for dividing a project among the three countries. This is aimed at eliminating the possibility of a cutthroat competition among the three nations in the Chinese market and also at containing China's negotiating skill. The source associated with Japanese-Chinese economic affairs said that, in holding business negotiations with China, "we have often been made a fool by the Chinese, who take advantage of our weak points."

Meanwhile, a government source has said that the trilateral system of economic cooperation with China is a "Soviet shift" in the light of the international political situation and will help stabilize international relations vis-a-vis the Soviet Union.

The source associated with Japanese-Chinese economic affairs said that this plan will take concrete shape after the Tokyo summit. This remark is believed to indicate the possibility of holding trilateral talks among government leaders of the three states, including West Germany, who are scheduled to participate in the Tokyo summit, after Japan and the United States have coordinated between themselves at the forthcoming Japan-U.S. summit meeting. Thus, the proposed plan will likely be taken up for discussion at the Ohira-Carter meeting scheduled for May.

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ECONOMIC

GOVERNMENT TO ASSIST IN MEXICAN INDUSTRIAL PROJECT

Tokyo ASAHI SHINBUN in Japanese 7 Apr 79 Morning Edition p 9 OW

[Excerpts] A government source disclosed on 6 April that our government would actively assist in the Lazaro Cardenas industrial zone construction project jointly promoted by the Mexican Government and the Japan Federation of Economic Organizations [Keidanren] on the west coast of Mexico. Minister of International Trade and Industry Esaki tentatively plans to visit Mexico. The government is studying ways to support this project through the overseas economic cooperation fund and the Japan Export-Import Bank.

Under the Lazaro Cardenas coastal industrial zone construction project, the small steel mill at (Las Tolucas) port will be expanded with Japanese cooperation to increase its annual capacity to 1 million tons (in terms of crude steel). With this steel mill as the center, the area around it will be turned into a full-scale industrial zone similar to the Kashima coastal industrial complex in Japan. When Mexican President Lopez visited Japan last fall, the project was discussed. Later in March, Keidanren and Mexican officials held the first round of negotiations in Tokyo.

Between mid-April and late April, three Japanese survey teams will successively visit Mexico to discuss Japanese cooperation in the project. They will be sent by: 1) the Sumitomo Metal Industries Group which will cooperate in the steel pipe project; 2) Kobe Steel which will be in charge of the forging and casting plants; and 3) Nippon Steel Corporation which will be in charge of the expansion of the present steel mill. After the return of these survey teams, the Japanese Government will decide whether or not to dispatch a joint government-private survey team to Mexico, depending on the reports of the three teams.

The Japanese Government plans to step up economic cooperation with Mexico because that country is in the limelight as a treasurehouse of petroleum.

When the construction of a pipeline from the oilfield to Salina Cruz port on the Pacific is completed, petroleum exports to Japan will become a possibility. Mexico is reportedly planning to export oil beginning in 1980.

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Mexican crude oil--a light crude oil--yields 25 percent gasoline, 19 percent kerosene and 12 percent light oil. It is very valuable to Japan. In the wake of the Iranian revolution, the Japanese Government is seeking multiple sources of petroleum in an effort to avoid exclusive reliance on the Middle East for its oil supply. That is why it is eying the stable supply of Mexican crude oil.

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ECONOMIC

OIL FIRMS TO TEAM UP TO BUY MEXICAN CRUDE

Tokyo ASAHI EVENING NEWS in English 9 Apr 79 p 3 OW

[Text] The five major oil companies of Japan, including Idemitsu Kosan Co, Mitsubishi Oil Co and Daikyo Oil Co, decided at a meeting of their presidents Friday to form a Japanese consortium to import crude oil from Mexico.

The are doing this because international oil majors have cut oil supplies to nonaffiliated firms since the Iranian shutdown. This alliance may result in mergers among oil firms in the importing and transport fields.

It is reported that the meeting of presidents was held Friday at the call of Masami Ishida, chairman of the Petroleum Association of Japan. Ishida visited Mexico from 16 through 21 March and attended the ceremony marking the 41st anniversary of the Mexican National Oil Company, Pemex.

At that time, Ishida took with him a message from Minister of International Trade and Industry Esaki and said that the government was very interested in importing Mexican crude oil.

In answer to Esaki's request, Mexican President Jose Lopez is said to have indicated that he wanted to visit Japan in June and hold talks on the matter.

But it is also reported that he completely rejected the barter system proposed by Japan, according to which Mexico would export crude oil to Japan in return for economic cooperation from Japan.

In Friday's meeting, Ishida explained these circumstances, and the five oil firms agreed that in order to escape from the present overwhelming dependence on the Organization of Petroleum Exporting Countries and to increase the amount of crude purchased directly from oil producing countries, the Japanese oil firms must band together.

It was decided that the five firms would study the question of negotiating on crude oil imports and prices together.

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ECONOMIC

BRIEFS

SUMATRA LNG PROJECT--The Indonesian Government has asked Japan to take part in a LNG (liquefied natural gas) development plan in Arun, Sumatra, which Indonesia had been desiring to promote with the cooperation of a U.S. firm. The Indonesian offer was disclosed by the Ministry of International Trade and Industry [MITI] on 7 April. The plan in question is Indonesia's largest, envisaging an annual LNG output of 4.5 million tons. The MITI plans to seriously study the Indonesian offer with a view to reducing Japan's dependence on petroleum and diffusing sources of energy supply. The Indonesian offer was made by the visiting president of the Indonesian National Petroleum Corporation (Pertamina), Haryono, to MITI Minister Esaki. Indonesia reportedly made the offer because Indonesian negotiations with a U.S. firm on the Arun LNG development plan fell through after experiencing rough sailing. President Suharto himself is said to have instructed that the plan be changed into an Indonesia-Japan joint venture. [Excerpt] [Tokyo NIHON KEIZAI SHINBUN in Japanese 8 Apr 79 Morning Edition p 1 OW]

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SCIENCE AND TECHNOLOGY

NEW TECHNOLOGY FOR MUNICIPAL WASTE RECYCLING DEVELOPED

Tokyo THE JAPAN TIMES in English 18 Mar 79 p 9

[Text]

Municipal refuse which was formerly discarded as useless waste can now be recycled by means of new technology recently developed by the Japanese government — good news for this resource-scarce country.

An enormous amount of municipal refuse is hauled away every week from the corners of streets and doorsteps of households in this country.

Most of this refuse is disposed of in incinerators at municipal garbage disposal centers and only a small portion of it is reused for land fill.

Statistics show that an average 37 million tons of waste are produced annually throughout the country — a daily average of 100,000 tons of municipal refuse. This means the average person discards one kilogram of waste a day.

In an effort to make better use of this waste, the Agency of Industrial Science and Technology of the Ministry of International Trade and Industry has recently completed development of new technology for municipal waste recycling.

The agency completed construction of a huge pilot plant this month for municipal waste recycling at a reclaimed-land area in Yokohama, Kanagawa Prefecture, at a total cost of ¥4.3 billion.

The plant is dubbed "Star Dust '80" in the hope that it will be the star of municipal waste recycling systems by the 1980s, according to the agency.

It took 6½ years to develop this system and the total cost of the project amounted to ¥6 billion.

The idea of recycling municipal refuse is by no means a new one. Similar recycling plants have been developed before in various other countries, including the United States, England, France, West Germany, Holland and Sweden.

A unique aspect of the Japanese recycling plant, however, is the semiwet selective pulverizing classifier which facilitates the sorting out of various kinds of garbage from a mixture.

In this new system, municipal waste collected as a mixture is first fed into the semiwet selective pulverizing classifier through which it is sorted out into three different material groups.

Group I consists of glass and other refuse. Group II is paper, and Group III consists of plastics, metals and textiles.

Each group of wastes is then converted into various materials such as quality compost, refined pulp or ferrous metals through three different subsystems installed at the plant.

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Some of the materials in Group III, mainly plastics, are burned in a two-tower circulatory pyrolysis subsystem and converted into high calorific value gases.

The "Star Dust '80" is capable of processing 100 tons of municipal waste a day.

In one operation involving 100 tons of refuse, the plant recovered 28 tons of compost, 25 tons of pulp (equivalent to 60,000 newspapers), and 3 tons of ferrous metal. Through the energy recovery system, enough fuel gas to supply 2,000 households was also recovered.

According to one estimate, 30 percent of paper wastes and 80 percent of ferrous metals can be recovered for recycling under this system during disposal of municipal waste.

Tadao Sakiyama, senior officer for the development program, said, "The Star Dust '80 is pollution-free and its total operation cost will work out to be less than that of traditional incinerators."

It has already won worldwide attention. The United States offered to jointly develop the system with the agency two years ago, but the agency declined the offer on the grounds that the project was already in its final stages at that time.

The municipal government of San Paulo, Brazil, has asked the Japanese government to share the technology for free.

The agency now plans to experiment with the plant and try full-scale operation with the cooperation of the Yokohama city administration for one year starting this October, using the municipal waste discarded by about 100,000 local residents.

"We are now at the final stage of the experiment. Our task is to develop the technology to such a level that it will attract the interest of the people concerned here," said Sakiyama.

After the experiment is completed, it will be up to individual private corporations and municipal governments whether this system is adopted for actual application.

So far, representatives of many corporations and municipal governments from across the country have visited the plant and made enthusiastic inquiries about the new technology.

Asked if there are any operational problems with the system, Sakiyama replied, "I see no problem with the technology." But he added, "The only thing about this we don't know is who will utilize the recycled resources."

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